

City of Miami Beach, Florida

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2001

City of Miami Beach, Florida

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Jorge M. Gonzalez
City Manager

Patricia D. Walker
Chief Financial Officer

CITY OF MIAMI BEACH, FLORIDA

City Commission

Neisen O. Kasdin, Mayor

Matti Herrera Bower, Vice Mayor

Simon Cruz, Commissioner
David Dermer, Commissioner
Luis R. Garcia, Jr., Commissioner
Nancy Liebman, Commissioner
Jose Smith, Commissioner

Administration

Jorge M. Gonzalez, City Manager

Christina Cuervo, Assistant City Manager
Mayra Diaz-Buttacavoli, Assistant City Manager
Robert Middaugh, Jr., Assistant City Manager
Matthew Schwartz, Assistant City Manager

Patricia D. Walker, Chief Financial Officer

City of Miami Beach, Florida
Comprehensive Annual Financial Report
September 30, 2001

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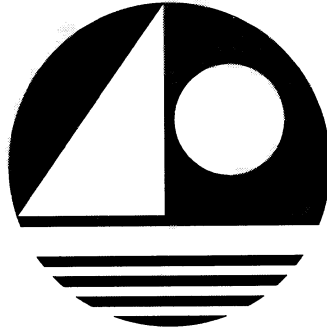
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City of Miami Beach

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CITY OF MIAMI BEACH

1700 Convention Center Drive, Miami Beach, FL 33139
<http://ci.miami-beach.fl.us>



February 28, 2002

Honorable Mayor and Members of the City Commission:

The comprehensive annual financial report of the City of Miami Beach, Florida (the "City"), for the fiscal year ended September 30, 2001, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the financial activities of the City have been included.

The comprehensive annual financial report is presented in three sections: (1) introductory, (2) financial, and (3) statistical. The introductory section includes the City's organizational chart, a list of principal officials, and this letter. The financial section includes the Independent Auditors' Report and General Purpose Financial Statements and the Combining and Individual Fund and Account Group Financial Statements and Schedules. The statistical section includes selected financial and demographic information generally presented on a multi-year basis.

This report includes all funds, account groups, and component units of the City. The City provides a full range of services. These services include police and fire protection; recreational activities and cultural events; sanitation services; water and sewer services; and the construction and maintenance of streets and infrastructure. This report includes activities of the Miami Beach Visitor and Convention Authority, the Retirement System for General Employees, the Retirement System for Police and Fire Employees, the Miami Beach Retirement System for Non-Civil Service Employees, the Miami Beach Health Facilities Authority, and the Miami Beach Redevelopment Agency (the "Agency").

Economic Conditions and Outlook

Miami Beach is an island surrounded by the sparkling Atlantic Ocean and Biscayne Bay. Miami Beach hotels host over four million visitors per year. Approximately seven million tourists visit South Beach and the Art Deco Historic District annually. In addition, residents of the surrounding areas make approximately eight million day trips to the beach annually. These visitors are the catalyst for the economic prosperity that the City of Miami Beach has experienced in recent years.

Tourism is the largest contributor to the Miami Beach economy, with over \$940 million in direct tourist spending on hotel, retail, food and beverage alone. This spending generated over \$1.5 billion in total output into the local economy, and over \$430 million in earnings. However the overall economy of the City continues to diversify. Other significant industries are Retail, Film and Entertainment, New Media, and Health Care.

As both the residential and visitor demographics of the City diversify, the real estate and economic environment of the area has matured as property values increase and more institutional investors continue to move in. Taxable property values increased approximately 14 percent from the prior year.

New construction and renovations continue to escalate at record levels. The City is assisting this revitalization by committing the necessary funding to improve and upgrade infrastructure, design and implement Citywide streetscape projects, provide additional parking, and increase public safety Citywide.

In the Redevelopment Area the Miami Beach Collins Park Cultural Center is the home for the Miami City Ballet and the newly renovated and expanded Bass Museum of Art. Designs have been approved and construction approvals are under way for the new regional library, parking and improvements to Collins Park. The existing library will be removed as part of an extensive landscaping project in the park.

In addition, the Redevelopment Area will soon see the opening of a 6,000 square foot restaurant, and an 110,000 square foot Class A office building.

The City continues to expand based on our approved CIP Program which includes projects such as: citywide streetscape and infrastructure improvements; the extension of the City's beachwalk; and the construction, renovation and rebuilding of two of the City's fire stations, as well as, parks and other community recreational facilities.

Financial Information

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit. As a recipient of federal, state, and county financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the Internal Audit Department of the City.

As a part of the City of Miami Beach single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City of Miami Beach has complied with applicable laws and regulations. A separate single audit report has been issued.

Budgeting Controls. The City has budgetary controls in place to ensure compliance with legal provisions. Activities of the general fund, certain special revenue funds, and the general obligation debt service fund are included in the annual appropriated budget. Project length financial plans are adopted for the capital projects funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by individual funds. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end. However, encumbrances generally are reappropriated as part of the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

General Government Functions. The following schedule presents a combined summary of revenues in the general fund, special revenue funds, debt service funds, capital projects funds, and

expendable trust funds for the fiscal year ended September 30, 2001, and the amount and percentage of increases and decreases in relation to revenues of the prior year. (Dollars in thousands.)

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2000</u>	<u>Percent of Increase (Decrease)</u>
Property Tax	\$ 68,604	34.42%	\$ 4,368	6.80%
Franchise & Utility Tax	19,717	9.89	2,042	11.55
Resort Tax	23,684	11.88	1,540	6.95
License and Permits	9,708	4.87	1,283	15.23
Intergovernmental	36,748	18.44	2,122	6.13
Sales and Charges for Services	10,924	5.48	2,870	35.63
Fines and Forfeitures	3,656	1.84	409	12.60
Rents and Leases	1,395	.70	122	9.58
Interest	10,318	5.18	1,239	13.65
Administrative Fees	7,673	3.85	100	1.32
Other	6,866	3.45	(710)	(9.37)
Total	<u>\$199,293</u>	<u>100.00</u>	<u>\$ 15,385</u>	

The largest dollar increase in revenues was in the property tax area, which also impacted the intergovernmental area. The increases in these areas were due to an increase in property valuations.

Sales and charges for services and franchise and utility taxes also have significant increases. These increases are attributable to the increased activity in and around the convention center hotel. Other revenue increases and decreases, while substantial in several cases on a percentage basis, represent relatively immaterial dollar amounts when compared with total revenues.

The following schedule presents a summary of expenditures in the general fund, special revenue funds, debt service funds, capital project funds, and expendable trust funds for the fiscal year ended September 30, 2001 and the percentage of increases and decreases in relation to expenditures of the prior year. (Dollars in thousands.)

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2000</u>	<u>Percent of Increase (Decrease)</u>
Current:				
General Government	\$ 24,220	10.76%	\$ 2,266	10.32%
Public Safety	76,079	33.81	6,931	10.02
Physical Environment	2,103	.94	299	16.57
Transportation	5,881	2.61	151	2.64
Economic Environment	23,147	10.29	3,225	16.19
Human Services	1,471	.66	(300)	(16.94)
Culture and Recreation	22,783	10.12	1,565	7.38
Capital Projects	7,950	3.53	(471)	(5.59)
Debt Service:				
Principal	45,259	20.11	32,189	246.28
Interest & Fiscal Charges	16,143	7.17	515	3.30
Total	<u>\$ 225,036</u>	<u>100.00%</u>	<u>\$ 46,370</u>	

The most significant percentage and dollar increase in expenditures was in the principal area of debt service. The City executed three fixed rate loan agreements totaling \$47 million. Of this amount \$32 million retired variable rate obligations and \$15 million will be used to renovate and improve two City owned golf courses and their related facilities.

The increase in the public safety area was a result of additional overtime expenses, filling vacant positions and scheduled salary increases. Other expenditure increases and decreases, while substantial in several cases on a percentage basis, represent relatively immaterial dollar amounts when compared with total expenditures.

General Fund Balance. The fund balance of the General Fund increased by \$1.2 million in 2001. This increase can be attributed to increased operations. In fiscal year 1996, the City Commission established a contingency for emergencies to be maintained at a minimum amount of eleven percent of the annual General Fund Budget of the ensuing year. The contingency balance at September 30, 2001 was \$14.2 million, and accordingly has been increased to \$15.7 million to accommodate the fiscal year 2002 budget.

Proprietary Operations. Combined revenues for the City's five enterprise operations (Water and Sewer, Parking, Sanitation, Convention Center, and Storm Water), and the two Miami Beach Redevelopment Agency's enterprise operations (Parking and Leasing) increased by \$7.6 million or 9.5% from fiscal 2000 to 2001. Of the \$7.6 million increase, the Parking System Fund revenues increased \$4.4 million. This increase resulted from rate increases, expanded hours of operations and increased demand. The Convention Center revenues increased \$2.1 million as a result of increased bookings based on the completion of the Convention Center Hotel. Other increases and decreases to enterprise operations revenues represent relatively immaterial dollar amounts when compared with total increase in revenues. Expenses of the enterprise operations increased by \$1.7 million or 2.4%.

Internal Service Funds. The City's five internal service funds (Fleet Management, Property Management, Central Services, Self Insurance, and Communications) earned combined revenues of \$28.1 million, up \$1.3 million from the previous year. Operating expenses for these funds totaled \$30.4 million, up \$8.4 million from the previous year, which resulted in an overall net operating loss from these funds of \$2.3 million.

Fiduciary Operations. The three separate pension systems maintained by the City, which covers certain full-time City employees produced an income from their investment activities of \$26.3 million and the City and its employees contributed \$7.0 million for total revenues to the plans of \$33.8 million. The plans paid out in expenses \$39.9 million, of which \$36.5 million was to retirees and beneficiaries. Fund balances of these three systems decreased by \$96.1 million to \$699.1 million, of which \$90 million of the decrease is a result of depreciation in the investment market value.

Debt Administration. At September 30, 2001, the City had \$51.0 million of general obligation bonds outstanding. The City has maintained its A rating from Standard & Poor's Corporation and its A1 rating from Moody's Investors Services. Under current state statutes, general obligation bonded debt issued by the City is subject to a legal limitation based on 15% of total assessed value of real and personal property. As of September 30, 2001, the general obligation bonded debt of the City totaling \$51.0 million was well below the legal limit of \$1.2 billion, and debt per capita equaled \$580.

Cash Management. Excess cash during the year was invested in cash deposits, money market funds, U. S. Treasury obligations, U. S. government agencies, commercial paper, corporate bonds, and repurchase agreements. The investment portfolio of the pension trust fund includes cash deposits, U. S. government securities, corporate bonds, common stock, money market funds, and commercial paper. The average yield on investments, except for the pension trust funds, was 4.8%. The pension trust funds had a yield rate loss of 9.1% for this same period. The City earned investment income of \$46.9 million on all investments for the year ended September 30, 2001.

The investment policy of the City is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either covered by federal depository insurance or a collateral pool held by the State Treasurer for the benefit of all public deposits in

Florida, or by collateral held by third parties in trust in the name of the City. All cash and investments of the City, at September 30, 2001, met the criteria for Risk Category #1 as defined by the Governmental Accounting Standards Board.

Risk Management. The City has a risk management program for workers' compensation, general liability, and auto liability. As part of this comprehensive plan, resources are being accumulated in the self-insurance internal service fund to meet potential losses. In addition, various risk control techniques, including employee accident prevention training, have been implemented to minimize accident-related losses. The City has \$8.6 million currently restricted for future losses.

Other Information

Independent Audit. State statutes require an annual audit by independent certified public accountants. The accounting firm of KPMG LLP, was recommended by an evaluation committee to the City Manager and approved by the City Commission. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act of 1996 as amended, and the related OMB Circular A-133. The report of the independent certified public accountant on the general purpose financial statements is included in the financial section of this report.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2000. This was the fourteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. The preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,



Jorge M. Gonzalez
City Manager



Patricia D. Walker
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Miami Beach,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2000

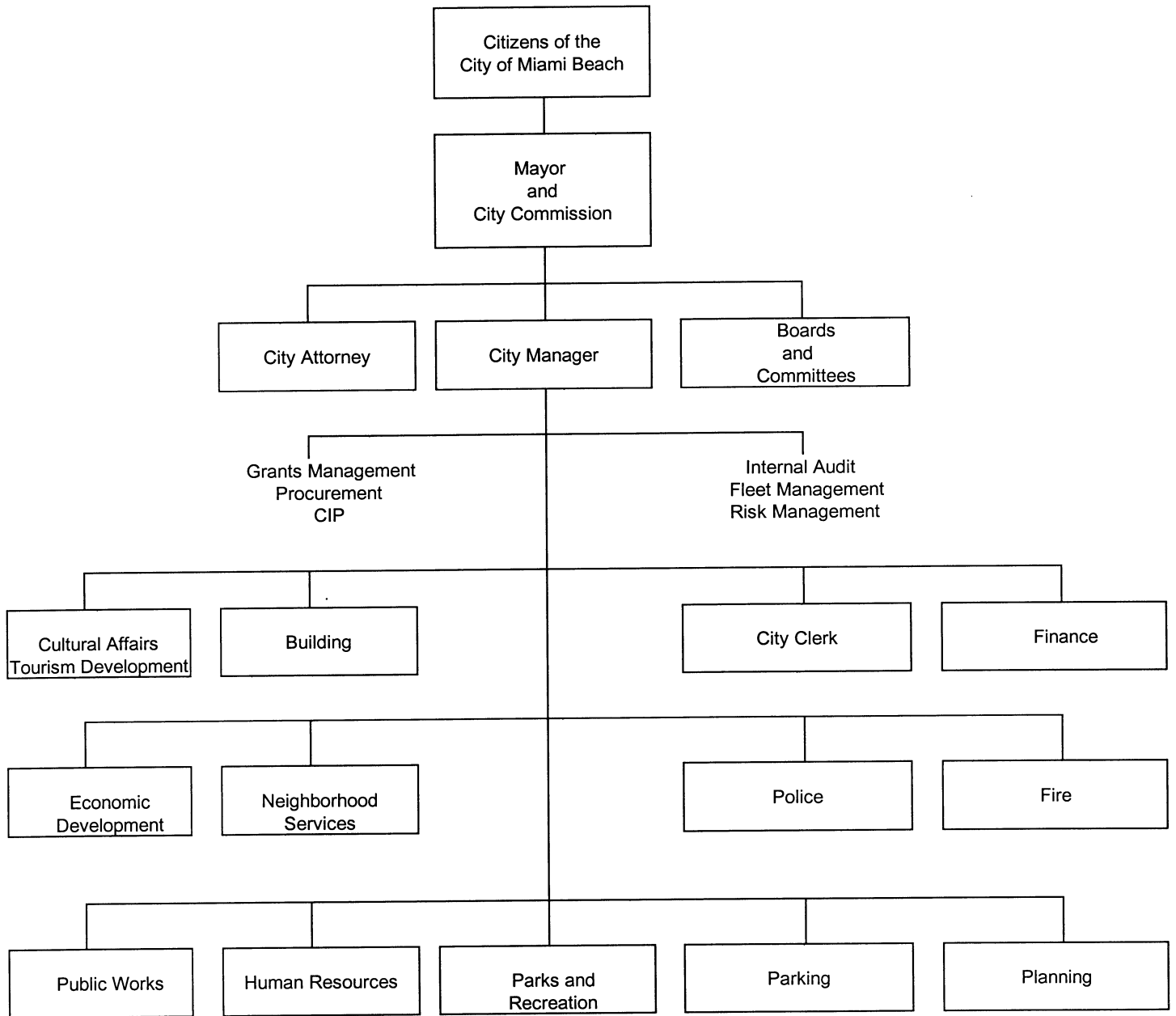
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

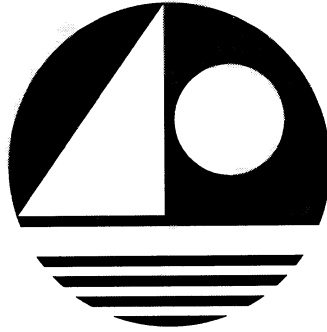


Thomas A. Brown
President

Jeffrey L. Esser
Executive Director

**City of Miami Beach
Florida**





City of Miami Beach

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FINANCIAL STATEMENTS

Independent Auditors' Report

Honorable Mayor and Members
of the City Commission
City of Miami Beach, Florida:

We have audited the general purpose financial statements of the City of Miami Beach, Florida, as of and for the year ended September 30, 2001, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the management of the City of Miami Beach, Florida. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the City of Miami Beach, Florida Retirement System for General Employees, the Retirement System for Policemen and Firemen, and the Retirement System for Unclassified Employees and Elected Officials, which combined statements represent approximately 99 percent of the total assets for the fiduciary fund type as of September 30, 2001 and approximately 97 percent of total revenue of fiduciary funds for the year ended September 30, 2001. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the pension trust funds, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the pension trust funds were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, and, accordingly, are not covered by our report in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Miami Beach, Florida, as of September 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 15 to the general purpose financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

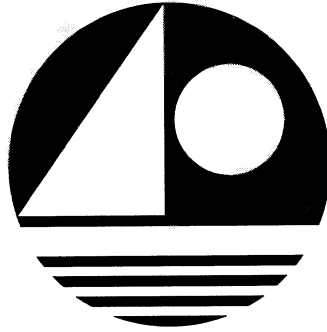
In accordance with *Government Auditing Standards*, we have also issued a report, dated February 28, 2002, on our consideration of the City of Miami Beach, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Miami Beach, Florida. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report, and accordingly, express no opinion thereon.

KPMG LLP

February 28, 2002



City of Miami Beach

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**CITY OF MIAMI BEACH, FLORIDA
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS
AND DISCRETELY PRESENTED COMPONENT UNITS
September 30, 2001**

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals Primary Government (Memorandum Only)	Component Units	Totals Reporting Entity (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service		General Fixed Assets	General Long-Term Obligations			
Assets and Other Debits												
Assets:												
Cash and investments	\$ 27,937,496	\$ 42,960,077	\$ 12,326,657	\$ 78,458,247	\$ 32,066,123	\$ 14,558,981	\$ 704,892,402	\$	\$	\$ 913,199,983	\$ 1,687,524	\$ 914,887,507
Cash with fiscal agent						100,000				100,000		100,000
Receivables:												
Accounts (net of allowance for uncollectibles)	3,587,412	2,045,285	694,061		8,997,406	45,731	524,238			15,894,133	395,512	16,289,645
Accrued interest	1,256,350		22,407	54,559	629,758		3,850,416			5,813,490		5,813,490
Notes		106,085	79,975	32,700						138,785		138,785
Delinquent taxes	397,471									477,446		477,446
Due from other funds	1,605,145	227,642			125,000	11,340				1,969,127		1,969,127
Due from other governments		357,168		14,802	45					372,015		372,015
Inventories (at cost)		248,033		105,528	1,497,596	305,464				2,156,621		2,156,621
Prepaid and deferred expenditures/expenses		42,273			3,862,187	878,221				4,782,681		4,782,681
Restricted assets:												
Cash and investments					169,143,249	8,624,620				177,767,869		177,767,869
Fixed assets (net, where applicable, of accumulated depreciation) -								314,892,895		608,357,252		608,357,252
Other Debits:												
Amount available for payment of debt									13,014,935	13,014,935		13,014,935
Amount to be provided for retirement of general long-term obligations									270,005,036	270,005,036		270,005,036
Total assets and other debits	\$ 34,783,874	\$ 45,986,563	\$ 13,123,100	\$ 78,665,836	\$ 493,219,261	\$ 41,090,817	\$ 709,267,056	\$ 314,892,895	\$ 283,019,971	\$ 2,014,049,373	\$ 2,083,036	\$ 2,016,132,409
Liabilities, equity and other credits												
Liabilities:												
Accounts payable	\$ 1,437,470	\$ 2,967,367	\$	\$ 629,534	\$ 4,030,175	\$ 1,638,413	\$ 5,912,918	\$	\$	\$ 16,615,877	\$ 13,012	\$ 16,628,889
Accrued expenditures/expenses	3,267,542	638,522	14,814		1,769,980	165,463	2,598			5,858,919		5,858,919
Current maturities of revenue bonds payable and obligations under capital leases					4,530,784					4,530,784		4,530,784
Payable from restricted assets:												
Pending insurance claims												
Insurance claims incurred but not reported												
Customer deposits					6,983,159					6,131,000		6,131,000
Trust deposits										7,580,000		7,580,000
Due to other funds	3,218	1,822,792		98,452	44,665		2,241,531			6,983,159		6,983,159
Due to other governments		423			133,922					2,241,531		2,241,531
Deferred revenues					701,255					1,969,127		1,969,127
Accrued compensated absences	2,145,637		93,351							134,345		134,345
Obligations under capital leases					678,381	516,877			10,013,977	11,209,235		11,209,235
General obligation bonds payable					794,682				50,985,000	794,682		794,682
Special obligation bonds									209,503,000	50,985,000		50,985,000
Other long-term obligations					174,279,008				383,782,008	383,782,008		383,782,008
Total liabilities	6,853,867	5,429,104	108,165	727,986	193,945,011	16,031,753	8,157,047		283,019,971	514,279,904	13,012	514,286,916

(continued)

CITY OF MIAMI BEACH, FLORIDA
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS
AND DISCRETELY PRESENTED COMPONENT UNITS
September 30, 2001
(continued)

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals Primary Government (Memorandum Only)	Component Units	Totals Reporting Entity (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise		General Fixed Assets	General Long-Term Obligations			
Equity and other credits:											
Contributed capital											
Investments in general fixed assets											
Retained earnings:											
Reserved per revenue bond indentures											
Unreserved											
Fund balances:											
Reserved for encumbrances	2,837,608	2,764,345		14,804,547		257,591					
Reserved for employees' pension benefits											
Reserved for debt service			13,014,935			699,132,120					
Reserved for inventories		94,245		105,528							
Reserved for notes receivables		106,085		32,700							
Reserved for prepaid		42,273									
Reserved for capital improvements				62,995,075							
Unreserved:											
Designated for contingencies	14,188,887										
Undesignated	10,903,512	37,550,511				1,720,298					
Total retained earnings/fund balances	27,930,007	40,557,459	13,014,935	77,937,850	125,734,000	701,110,009			1,002,407,239	2,070,024	1,004,477,263
Total equity and other credits	27,930,007	40,557,459	13,014,935	77,937,850	299,273,250	701,110,009	314,892,895		1,499,775,469	2,070,024	1,501,845,493
Total liabilities, equity and other credits	\$ 34,763,874	\$ 45,986,563	\$ 13,123,100	\$ 78,665,836	\$ 493,219,261	\$ 709,267,056	\$ 314,892,895	\$ 283,019,971	\$ 2,014,049,373	\$ 2,083,036	\$ 2,016,132,409

See notes to financial statements

CITY OF MIAMI BEACH, FLORIDA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES, SIMILAR TRUST FUNDS
AND DISCRETELY PRESENTED COMPONENT UNITS
For the Fiscal Year Ended September 30, 2001

	Governmental Fund Types			Fiduciary	Totals Primary Government		Component	Totals
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trusts	(Memorandum Only)	Units	Reporting Entity (Memorandum Only)
Revenues:								
Property taxes	\$ 59,342,355	\$	\$ 9,261,524	\$	\$	\$ 68,603,879	\$	\$ 68,603,879
Franchise fees	8,013,954					8,013,954		8,013,954
Utility taxes	11,703,187					11,703,187		11,703,187
Licenses and permits	9,707,800					9,707,800		9,707,800
Intergovernmental revenues	9,816,077	26,184,135		747,285	709,522	36,747,497	978,727	37,726,224
Sales and charges for services	1,722,088	8,492,543				10,924,153	109,536	11,033,689
Special assessments			1,273,494			1,273,494		1,273,494
Rents and leases	1,395,175					1,395,175		1,395,175
Interest income	5,833,735	1,356,231	419,227	2,619,572	89,128	10,317,893		10,317,893
Fines and forfeitures	1,745,578				1,910,835	3,656,413		3,656,413
Resort taxes		23,684,024				23,684,024		23,684,024
Administrative fees	7,672,896					7,672,896		7,672,896
Other	2,962,986	2,583,294	10,251	20,252	15,944	5,592,727	19,598	5,612,325
Total revenues	119,915,831	62,300,227	10,964,496	3,387,109	2,725,429	199,293,092	1,107,861	200,400,953
Expenditures:								
Current:								
General government	21,690,918	2,529,247				24,220,165		24,220,165
Public safety	72,443,838	1,417,957			2,217,167	76,078,962		76,078,962
Physical environment	2,035,849	66,809				2,102,658		2,102,658
Transportation	2,561,739	3,319,289				5,881,028		5,881,028
Economic environment	10,685,232	12,462,028				23,147,260		23,147,260
Human services	454,701	1,016,434				1,471,135	53	1,471,188
Culture and recreation	13,251,011	8,834,969			696,710	22,782,690	918,132	23,700,822
Capital outlay				7,949,884		7,949,884		7,949,884
Debt service:								
Principal retirement		307,400	44,952,000			45,259,400		45,259,400
Interest and fiscal charges		24,143	16,119,004			16,143,147		16,143,147
Total expenditures	123,123,288	29,978,276	61,071,004	7,949,884	2,913,877	225,036,329	918,185	225,954,514
Excess (deficiency) of revenues over (under) expenditures	(3,207,457)	32,321,951	(50,106,508)	(4,562,775)	(188,448)	(25,743,237)	189,676	(25,553,561)
Other financing sources (uses):								
Proceeds of debt issuance			47,240,342			47,240,342		47,240,342
Operating transfers in	11,624,658	7,537,684	33,991,905	18,594,991		71,749,238		71,749,238
Operating transfers out	(7,172,847)	(27,591,256)	(29,723,462)	(5,527,314)		(70,014,879)		(70,014,879)
Total other financing sources (uses)	4,451,811	(20,053,572)	51,508,785	13,067,677		48,974,701		48,974,701

(continued)

CITY OF MIAMI BEACH, FLORIDA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - ALL GOVERNMENTAL FUND TYPES, SIMILAR TRUST FUNDS
 AND DISCRETELY PRESENTED COMPONENT UNITS
 For the Fiscal Year Ended September 30, 2001
 (continued)

	Governmental Fund Types				Fiduciary Fund Type Expendable Trusts	Totals Primary Government (Memorandum Only)	Component Units	Totals Reporting Entity (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects				
Total other financing sources (uses)								
Balance brought forward	\$ 4,451,811	\$ (20,053,572)	\$ 51,508,785	\$ 13,067,677	\$	\$ 48,974,701	\$	\$ 48,974,701
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,244,354	12,268,379	1,402,277	8,504,902	(188,448)	23,231,464	189,676	23,421,140
Fund balances at beginning of year	26,685,653	28,289,080	11,612,658	69,432,948	2,166,337	138,186,676	1,880,348	140,067,024
Fund balances at end of year	\$ 27,930,007	\$ 40,557,459	\$ 13,014,935	\$ 77,937,850	\$ 1,977,889	\$ 161,418,140	\$ 2,070,024	\$ 163,488,164

See notes to financial statements

CITY OF MIAMI BEACH, FLORIDA

Revenues:

See notes to financial statements

CITY OF MIAMI BEACH, FLORIDA
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES

For the Fiscal Year Ended September 30, 2001

	Proprietary Fund Types		Totals
	Enterprise	Internal Service	(Memorandum Only)
Operating revenues:			
Charges for services	\$ 74,792,345	\$ 26,587,357	\$ 101,379,702
Miscellaneous revenues	12,955,117	1,541,161	14,496,278
Total operating revenues	87,747,462	28,128,518	115,875,980
Operating expenses:			
Personal services	13,743,256	4,930,447	18,673,703
Operating supplies	2,822,878	2,758,993	5,581,871
Contractual services	32,071,797	7,090,517	39,162,314
Utilities	2,523,580	1,318,092	3,841,672
Internal charges	4,419,277	1,464,740	5,884,017
Depreciation	6,611,612	4,439,148	11,050,760
Administrative fees	6,394,896	846,094	7,240,990
Insurance	140,869	1,370,923	1,511,792
Amortization	365,831		365,831
Claims and judgements		4,891,003	4,891,003
Other	695,534	1,311,854	2,007,388
Total operating expenses	69,789,530	30,421,811	100,211,341
Operating income (loss)	17,957,932	(2,293,293)	15,664,639
Non-operating revenues (expenses):			
Interest income	9,165,181	1,063,004	10,228,185
Interest expense and fiscal charges	(7,751,486)	(40,180)	(7,791,666)
Disposal of assets	20,659	75,970	96,629
Total non-operating revenues (expenses)	1,434,354	1,098,794	2,533,148
Income before operating transfers	19,392,286	(1,194,499)	18,197,787
Operating transfers in	381,542		381,542
Operating transfers out	(2,046,429)	(69,472)	(2,115,901)
Net operating transfers	(1,664,887)	(69,472)	(1,734,359)
Net income (loss)	17,727,399	(1,263,971)	16,463,428
Add: Depreciation on contributed capital	3,607,368	2,171,683	5,779,051
Retained earnings at beginning of year	104,399,233	15,215,267	119,614,500
Retained earnings at end of year	\$ 125,734,000	\$ 16,122,979	\$ 141,856,979

See notes to financial statements

CITY OF MIAMI BEACH, FLORIDA
COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS
ALL PENSION TRUST FUNDS

For the Fiscal Year Ended September 30, 2001
(With Comparative Totals for the Fiscal Year Ended September 30, 2000)

	<u>2001</u>	<u>2000</u>
Additions:		
Contributions -		
Employer	\$ 733,425	\$ 666,897
Employee	6,269,911	6,341,509
Transfers from other systems	278,131	66,495
Other	<u>12,441</u>	<u>11,939</u>
Total contributions	<u>7,293,908</u>	<u>7,086,840</u>
Investment income -		
Net (depreciation) appreciation in fair value of investments	(90,019,880)	53,689,548
Interest income	21,887,097	22,199,835
Dividends	<u>4,456,869</u>	<u>4,178,647</u>
	(63,675,914)	80,068,030
Investment management expenses	(1,767,451)	(2,095,613)
Deferred retirement option plan participants' earnings (loss)	<u>209,830</u>	<u>(184,027)</u>
Net investment income (loss)	<u>(65,233,535)</u>	<u>77,788,390</u>
Total additions (reductions)	<u>(57,939,627)</u>	<u>84,875,230</u>
Deductions:		
Benefit paid	36,472,568	35,771,165
Contributions refunded	471,339	346,700
Transfers to other systems	189,047	122,757
Administrative expenses	<u>1,040,413</u>	<u>957,980</u>
Total deductions	<u>38,173,367</u>	<u>37,198,602</u>
Net increase (decrease)	(96,112,994)	47,676,628
Net assets held in trust for pension benefits - beginning of year	<u>795,245,114</u>	<u>747,568,486</u>
Net assets held in trust for pension benefits - end of year	<u><u>\$ 699,132,120</u></u>	<u><u>\$ 795,245,114</u></u>

See notes to financial statements

CITY OF MIAMI BEACH, FLORIDA
COMBINED STATEMENT OF CASH FLOWS-ALL PROPRIETARY FUND TYPES

For the Fiscal Year Ended September 30, 2001

	Enterprise	Internal Service	Totals (Memorandum Only)
Cash flows from operating activities:			
Cash received from customers	\$ 72,873,328	\$ 26,574,815	\$ 99,448,143
Cash paid to suppliers	(48,065,918)	(15,339,148)	(63,405,066)
Cash paid to employees	(13,705,499)	(4,967,678)	(18,673,177)
Cash paid for claims and judgements		(4,512,003)	(4,512,003)
Miscellaneous revenues	12,955,117	1,509,659	14,464,776
Net cash provided by operating activities	<u>24,057,028</u>	<u>3,265,645</u>	<u>27,322,673</u>
Cash flows for non-capital financing activities:			
Transfers in	381,542		381,542
Transfers out	(2,046,429)	(69,472)	(2,115,901)
Net cash used in non-capital financing activities	<u>(1,664,887)</u>	<u>(69,472)</u>	<u>(1,734,359)</u>
Cash flows from capital and related financial activities:			
Proceeds of debt issuance	51,502,270		51,502,270
Interest and fiscal charges	(7,288,716)	(40,180)	(7,328,896)
Bond payments-principal	(3,030,000)		(3,030,000)
Capital lease payments	(620,412)		(620,412)
Purchase of fixed assets	(21,816,860)	(3,498,928)	(25,315,788)
Proceeds from sale of fixed assets	47,045	146,921	193,966
Net cash provided by (used in) capital and related financing activities	<u>18,793,327</u>	<u>(3,392,187)</u>	<u>15,401,140</u>
Cash flows from investing activities:			
Interest on investments	9,062,719	1,063,004	10,125,723
Net increase in cash and investments	50,248,187	866,990	51,115,177
Cash and investments - beginning of year	<u>150,961,185</u>	<u>22,416,611</u>	<u>173,377,796</u>
Cash and investments - end of year	<u>\$ 201,209,372</u>	<u>\$ 23,283,601</u>	<u>\$ 224,492,973</u>
Classified as:			
Current assets	\$ 32,066,123	\$ 14,658,981	\$ 46,725,104
Restricted assets	169,143,249	8,624,620	177,767,869
Total cash and investments	<u>\$ 201,209,372</u>	<u>\$ 23,283,601</u>	<u>\$ 224,492,973</u>
Non-cash transactions affecting financial position:			
Capital contributions of fixed assets	<u>\$ 24,860</u>	<u>\$ 18,710</u>	<u>\$ 43,570</u>

(continued)

See notes to financial statements

CITY OF MIAMI BEACH, FLORIDA
COMBINED STATEMENT OF CASH FLOWS-ALL PROPRIETARY FUND TYPES
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY
OPERATING ACTIVITIES

For the Fiscal Year Ended September 30, 2001
(continued)

	Enterprise	Internal Service	Totals (Memorandum Only)
Operating income (loss)	\$ 17,957,932	\$ (2,293,293)	\$ 15,664,639
Adjustments to reconcile net operating income (loss) to cash provided by operating activities:			
Depreciation and amortization	6,977,443	4,439,148	11,416,591
Provision for uncollectible accounts	367,986	6,654	374,640
Changes in assets and liabilities:			
(Increase) decrease in inventories	111,966	(15,701)	96,265
Increase in accounts receivable	(1,857,646)	(33,126)	(1,890,772)
Increase in due from other governments	(45)		(45)
Increase in due from other funds	(35,000)	(769)	(35,769)
Increase in prepaid expense	(573,221)	(348,173)	(921,394)
Increase in accounts payable	413,294	1,101,461	1,514,755
Increase in accrued expenses	228,220	90,456	318,676
Increase in pending insurance claims		826,000	826,000
Decrease in insurance claims incurred but not reported		(447,000)	(447,000)
Increase in deposits	434,448		434,448
Increase in due to other governments	38,137		38,137
Decrease in due to other funds	(32,273)		(32,273)
Increase in deferred revenues	18,981		18,981
Increase (decrease) in accrued compensated absences	6,806	(60,012)	(53,206)
Total adjustments	6,099,096	5,558,938	11,658,034
Net cash provided by operating activities	\$ 24,057,028	\$ 3,265,645	\$ 27,322,673

See notes to financial statements

CITY OF MIAMI BEACH, FLORIDA
COMBINING BALANCE SHEET - DISCRETELY PRESENTED COMPONENT UNITS

September 30, 2001

	<u>Miami Beach Visitor and Convention Authority</u>	<u>Miami Beach Health Facilities Authority</u>	<u>Total</u>
<u>Assets</u>			
Cash and investments	\$ 914,615	\$ 772,909	\$ 1,687,524
Accounts receivable	<u>176,304</u>	<u>219,208</u>	<u>395,512</u>
Total assets	<u>\$ 1,090,919</u>	<u>\$ 992,117</u>	<u>\$ 2,083,036</u>
<u>Liabilities and fund balances</u>			
Liabilities:			
Accounts payable	<u>\$ 13,012</u>	<u>\$</u>	<u>\$ 13,012</u>
Total liabilities	<u>13,012</u>	<u></u>	<u>13,012</u>
Fund balances:			
Unreserved:			
Designated for contingencies	300,000		300,000
Undesignated	<u>777,907</u>	<u>992,117</u>	<u>1,770,024</u>
Total fund balances	<u>1,077,907</u>	<u>992,117</u>	<u>2,070,024</u>
Total liabilities and fund balances	<u>\$ 1,090,919</u>	<u>\$ 992,117</u>	<u>\$ 2,083,036</u>

See notes to financial statements

CITY OF MIAMI BEACH, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended September 30, 2001

	Miami Beach Visitor and Convention Authority	Miami Beach Health Facilities Authority	Total
Revenues:			
Intergovernmental revenues	\$ 978,727	\$	\$ 978,727
Sales and charges for services		109,536	109,536
Other	17,162	2,436	19,598
Total revenues	995,889	111,972	1,107,861
Expenditures:			
Current:			
Human services		53	53
Culture and recreation	918,132		918,132
Total expenditures	918,132	53	918,185
Excess of revenues over expenditures	77,757	111,919	189,676
Fund balances - beginning of year	1,000,150	880,198	1,880,348
Fund balances - end of year	\$ 1,077,907	\$ 992,117	\$ 2,070,024

See notes to financial statements

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

1. Summary of Significant Accounting Policies

The City of Miami Beach, Florida (the "City") records its transactions in the various individual funds and account groups to comply with the limitations and restrictions placed both on the resources made available to the City and the services provided. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City was incorporated as a municipal corporation on March 26, 1915 and was created by the Florida Legislature, Chapter 7672, Laws of Florida (1917). The City is governed by an elected mayor and six member commission. The City operates under a Commission-Manager form of government.

In accordance with Governmental Accounting Standards Board (GASB) pronouncements, the City's financial statements include all funds, account groups, departments, agencies, boards, and other organizations over which City officials are considered to be financially accountable.

Financial accountability includes such aspects as appointment of governing body members, budget review, approval of property tax levies, outstanding debt secured by the full faith credit of the City or its revenue stream, and responsibility for funding deficits.

As a result of applying the entity definition criteria of the GASB, certain organizations have been included or excluded from the City's financial statements.

The following are blended and discretely presented component units included in the City's financial statements.

i. Miami Beach Redevelopment Agency

The Miami Beach Redevelopment Agency (the "Agency") was created under the Community Redevelopment Act of 1969, enacted by the Florida Legislature. The Agency's Board of Directors is the City Commission. The Agency's executive director is the City Manager. The Agency's budget is adopted by its directors and approximately 50% of the Agency's operating revenue is derived from the City's tax increment contributions. The Agency is accounted for as a blended component unit in the City's financial statements.

ii. Miami Beach Health Facilities Authority

The Miami Beach Health Facilities Authority (the "Authority") was created under the Health Facilities Authorities Law, Chapter 154, Part III of the Florida Statutes. The Authority is appointed by the City Commission, serves a four-year term and is subject to reappointment. The revenue of the Authority is derived from fees generated from the sale of bonds to finance health facilities within Miami Beach. The City receives all funds of the Authority in excess of operational needs of the Authority. Debt issued under the oversight of the Authority is not debt of the City or the Authority and therefore is not included in the accompanying financial statements. The Authority is accounted for as a discretely presented component unit in the City's financial statements. The Authority accounts for its financial activities using only the general fund.

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 (Continued)

iii. Miami Beach Visitor and Convention Authority

The Miami Beach Visitor and Convention Authority (the "VCA") was created under Chapter 67-930, Section 8, of the Florida Statutes. The VCA is appointed by the City Commission to administer a portion of the collections of the municipal resort tax in order to promote tourism and convention business. Operating costs of the VCA are paid by the City. The VCA is accounted for as a discretely presented component unit in the City's financial statements.

iv. Miami Beach Neighborhood Improvement District #1

The Miami Beach Neighborhood Improvement District No. 1 (the "NID#1") was created under Chapter 87-243, Section 55-73, of the Florida Statutes. The NID#1's Board of Directors is the City Commission. The NID#1's operating revenues are derived from grants, ad valorem taxes, or special assessments. The NID#1 is accounted for as a blended component unit in the City's financial statements and had no financial activity during fiscal year 2001.

v. Miami Beach Neighborhood Improvement District #2

The Miami Beach Neighborhood Improvement District No. 2 (the "NID#2") was created under Chapter 87-243, Section 55-73, of the Florida Statutes. The NID#2's Board of Directors is the City Commission. The NID#2's operating revenues are derived from grants, ad valorem taxes, or special assessments. The NID#2 is accounted for as a blended component unit in the City's financial statements and had no financial activity during fiscal year 2001.

vi. Miami Beach Neighborhood Improvement District #3

The Miami Beach Neighborhood Improvement District No. 3 (the "NID#3") was created under Chapter 87-243, Section 55-73, of the Florida Statutes. The NID#3's Board of Directors is the City Commission. The NID#3's operating revenues are derived from grants, ad valorem taxes, or special assessments. The NID#3 is accounted for as a blended component unit in the City's financial statements and had no financial activity during fiscal year 2001.

vii. Normandy Shores Local Government Neighborhood Improvement District

The Miami Beach Normandy Shores Local Government Neighborhood Improvement District (the "NSNID") was created under Chapter 163.506, of the Florida Statutes. The NSNID's Board of Directors is the City Commission. The NSNID's revenues are derived from ad valorem taxes. The NSNID is accounted for as a blended component unit in the City's Special Revenue Funds financial statements under the column entitled, "Special Districts and Services Fund".

**CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 (Continued)**

Complete financial statements for the component units may be obtained at the entity's offices:

Miami Beach Redevelopment Agency
1700 Convention Center Drive
Miami Beach, Florida 33139

Miami Beach Health Facilities Authority
1700 Convention Center Drive
Miami Beach, Florida 33139

Miami Beach Visitor and Convention Authority
555 Hank Meyer Boulevard
Miami Beach, Florida 33139

Miami Beach Neighborhood
Improvement District #1, #2, & #3
1700 Convention Center Drive
Miami Beach, Florida 33139

Normandy Shores Local
Government Neighborhood
Improvement District
1700 Convention Center Drive
Miami Beach, Florida 33139

B. Basis of Presentation and Measurement Focus

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, expenditures, or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into three broad fund categories composed of seven generic funds plus two account groups. These broad fund categories are:

i. Governmental Fund Types

Governmental Fund Types are accounted for on a current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheet. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of available spendable resources during the period. The generic funds in this category are: (a) General, (b) Special Revenue, (c) Debt Service, and (d) Capital Projects.

ii. Proprietary Fund Types

Proprietary Funds are accounted for on an economic resources measurement focus. The government applies all applicable FASB pronouncements issued on or before November 30, 1989 in accounting and reporting for its proprietary operations. In accordance with Government Accounting Standards, the City has elected not to apply FASB pronouncements issued after that date to its proprietary operations. All assets and all liabilities (whether current or non-current) associated with their activity are included on their Balance Sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund measurement focus is on determination of net income, financial position, and changes in cash flows. The generic funds in this category are Enterprise and Internal Service Funds.

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 (Continued)

iii. Fiduciary Fund Types

Fiduciary Fund Types account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other Governments and other funds. These include Expendable Trusts, Pension Trusts and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as Governmental Fund Types. Pension Trust Funds are accounted for in essentially the same manner as Proprietary Fund Types. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

iv. Account Groups

The two account groups in this financial report are used to provide accounting control and accountability for the City's General Fixed Assets and General Long-Term Obligations Group. These two account groups are:

a. General Fixed Assets

This account group is established to account for all fixed assets of the City, other than those accounted for in the Proprietary Funds.

b. General Long-Term Obligations

This account group is established to account for all Long-Term obligations of the City other than those accounted for in the Proprietary Funds.

C. Basis of Accounting

The accrual basis of accounting is used for all funds except for the Governmental Fund types, Expendable Trust Funds and Agency Funds which use the modified accrual basis of accounting. Modifications from the accrual basis to present the modified accrual basis are as follows:

- i. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Property taxes and intergovernmental revenues are the significant revenue sources considered susceptible to accrual;
- ii. Purchases of capital assets providing future benefits are considered expenditures and are accounted for in the General Fixed Assets account group. Appropriations for capital projects are carried forward until such time as the project is completed or terminated;
- iii. Interest on General Long-Term Indebtedness is not accrued but is recorded as an expenditure on its due date; and
- iv. Outstanding encumbrances at year end are excluded from current year expenditures and reported as reservations of fund equity.

D. Budgetary Data

At least 45 days prior to the close of the fiscal year, the City Commission is presented with a proposed budget. The proposed budget includes anticipated expenditures and the means of financing them. After Commission review and public hearings, the budget is adopted prior to October 1st. Budgets are approved on a fund by fund basis and management may transfer amounts between line items or

**CITY OF MIAMI BEACH, FLORIDA
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SEPTEMBER 30, 2001 (Continued)**

departments as long as the transfer does not result in an increase in total fund budget. The budget presented is the final adopted budget, which has been amended during the year.

Budgets are considered a management control and planning tool and as such are incorporated into the accounting system of the City. Budgets are adopted on the modified accrual basis of accounting with the inclusion of encumbrances as reductions in the budgetary amount available (Budgetary Basis). Appropriations not encumbered lapse at year end. Outstanding encumbrances at year end are reported as a reservation of fund equity.

The Statement of Revenues and Expenditures, Budget and Actual is presented for the funds which have legally adopted annual budgets. Those funds are: General Fund, Bass Museum Special Revenue Fund, Resort Tax Special Revenue Fund, Miami Beach Redevelopment Agency (a blended component unit) Special Revenue Fund and Debt Service Fund, and General Obligation Debt Service Fund. Funds and Grants that have multi-year project budgets are not presented in the statements.

There was one supplemental budgetary appropriation during fiscal year ended September 30, 2001.

For the year ended September 30, 2001, expenditures exceeded appropriations in the Miami Beach Redevelopment Agency Special Revenue Fund in the economic environment category by \$6,683,932. These expenditures were funded by resources not used for operating transfers.

E. Cash and Investments

The City maintains an accounting system in which substantially all cash and investments are recorded in a separate group of accounts. All such cash and investments are reflected as pooled cash and investments. Cash and investments consist of demand deposits with banks, United States Treasury Obligations, State or Municipal obligations, Commercial Paper, Money Market Funds, and Repurchase Agreements.

All investments are stated at cost, which approximates fair value. Interest income is allocated based upon the approximate proportionate balances of each fund's equity in pooled cash and investments.

The cash and investments for the retirement system are maintained in separate cash and investment balances. The retirement system investments are held in United States Treasury Obligations, loans guaranteed by Government agencies, General Obligation or Revenue Bonds issued by States and Municipalities, dividend paying stocks of domestic corporations, bonds, notes or other interest bearing obligations of domestic corporations, and shares and accounts of savings and loan associations. The investments are stated at fair value as determined by closing market prices at the end of the fiscal year.

For the purpose of the Statement of Cash Flows for the Proprietary Fund Types, cash and investments mean short term, highly liquid investments with an original maturity of three months or less.

Investments are recorded at fair value, except for those investments with remaining maturities of one year or less at the time of purchase are recorded at amortized cost. The City calculated the unrealized gain or loss for investments with remaining maturities of more than one year at the time of purchase and determined that the amount of net unrealized loss is immaterial for the fiscal year ended September 30, 2001. Thus, the City records all investments, except retirement system investments, at cost.

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 (Continued)

F. Receivables

Following are the significant components of the receivables due to the City at September 30, 2001:

- i. Water, Sewer and Waste Fees - This amount represents the unpaid, billed charges for various fines and municipal services;
- ii. Fines and Assessments - This amount represents the unpaid, billed charges for various fines and assessments levied for violations of various City code provisions;
- iii. Notes Receivable - This amount represents amounts due as evidenced by loan agreements from two special revenue and one capital projects fund to outside entities;
- iv. Delinquent Taxes Receivable - This amount represents the amount of levied but uncollected delinquent property taxes outstanding at September 30, 2001; and
- v. Accrued Interest Receivable - This amount represents the interest earned but not collected on City investments at year end.

G. Due From and Due To Other Funds

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent that certain transactions between funds have not been paid or received as of September 30, balances of interfund amounts receivable or payable have been reflected. All amounts receivable from or payable to other funds are to be settled with expendable, available financial resources.

H. Inventories

Inventories are stated at cost. Cost is determined principally by the average cost method, which approximates the first-in, first-out method. Inventories are accounted for on the consumption basis. Fund balance has been reserved for the amount of inventories since they are not available for appropriation and expenditure as of September 30, 2001.

I. Fixed Assets

i. General Fixed Asset Account Group

The General Fixed Assets Account Group provides physical and dollar value accountability. Depreciation of General Fixed Assets is not recognized in the City's accounting system. The costs of purchasing or constructing by the various Governmental and Fiduciary funds are recorded as expenditures in those funds. These expenditures are capitalized in the general fixed assets account group at historical cost. Gifts or contributions of property received are recorded at their estimated fair market value at the time of receipt by the City. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs, gutters, streets and sidewalks, drainage systems and lighting systems are capitalized along with other general fixed assets. Interest costs on bond funds are capitalized into construction work in progress.

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 (Continued)

ii. Proprietary Funds

The fixed assets recorded in these funds are recorded at historical cost or at valuations which approximate cost. Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	30-60 years
Improvements	10-60 years
Equipment	2-20 years

J. Deferred Revenue

These amounts offset the balance of delinquent property taxes not collected within 45 days of year end and City billings for fines and assessments at September 30. Such amounts do not meet the revenue recognition criteria since they are measurable but not available.

K. Accrued Compensated Absences

The City accounts for compensated absences by accruing a liability for employees' compensation for future absences according to the guidelines of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences".

The City's vacation and sick leave policies grant a specific number of days of vacation and sick leave with pay. In addition, these policies provide for paying a regular employee after a six-month probationary period for accumulated, unused vacation and sick leave upon termination up to a maximum of 2,088 hours. For certain employees, sick pay to be paid upon termination is limited to a maximum of one half of the amount accumulated. These hours are payable at the employee's current pay rate. The liability for this obligation is recorded in the General Long-Term Obligations account group since the nature of the liability will not require the use of available resources.

L. Long-Term Debt

Long-Term debt obligations, either General Obligation or Revenue Bonds, used to finance proprietary fund operations and payable from revenue of the proprietary funds are recorded in the applicable fund. General Obligation Bonds and other forms of Long-Term debt supported by general revenues are obligations of the City as a whole and not its individual constituent funds. Accordingly, such unmatured obligations of the City are accounted for in the General Long-Term Obligations Account Group.

M. Fund Balances

- i. Reserved Fund Balance - A fund balance reservation indicates that this portion of fund equity has been segregated for specific or legal purposes or is not otherwise available for appropriation;
- ii. Designated Fund Balance - A fund balance designation indicates that this portion of fund equity has been segregated based on tentative plans of the City; and
- iii. Undesignated Fund Balance - This portion of fund equity is available for any lawful use by the City.

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 (Continued)

N. Property Taxes

Property values are assessed (levied) at fair market value (100%) by the Miami-Dade County Property Assessor as of January 1 of each year, at which time taxes become an enforceable lien on property. State of Florida Amendment #10 to the Florida Constitution known as "Save our Homes" limits assessment increases on homestead property to the lesser of 3% or the consumer price index. Tax bills are mailed in October and are payable upon receipt with discounts at the rate of 4% if paid in November, decreasing by 1% per month with no discount available if paid in the month of March. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of personal property taxes by seizure of the property or by the sale of the property or by the sale of interest bearing tax certificates to satisfy unpaid property taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

O. Interfund Transfers

Following is a description of the four basic types of interfund transactions made during the year and the related accounting policies:

- i. Transactions for service rendered or facilities provided are recorded as revenue in the receiving fund and expenditures, either as internal charges or administrative fees in the disbursing fund;
- ii. Transactions to reimburse a fund for expenditures made by it for the benefit of another fund are recorded as expenditures in the disbursing fund and as a reduction of expenditures in the receiving fund;
- iii. Transactions which are recurring annual transfers between two or more budgetary funds are recorded as transfers in and out; and
- iv. Transactions recording equity contributions between funds: the receiving fund records such transactions as transfers in and additions to fund balances or, in the case of proprietary funds to a contribution account. The disbursing fund records the transaction as a transfer out and a reduction of fund balance or, in the case of proprietary fund, as a reduction of equity.

P. Encumbrances

Encumbrance accounting, under which purchase order commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general and special revenue funds, capital project funds and expendable trust funds. Encumbrances outstanding at year-end are reported as reservations of fund balances, since they do not constitute expenditures or liabilities.

Q. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

**CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 (Continued)**

R. Prepaid Expenditures/Expenses

Expenditures made for services that will benefit periods beyond September 30, 2001 are recorded as prepaid items and accordingly a portion of fund balance has been reserved to indicate that these funds are not available for appropriation.

S. Risk Management - Judgements and Claims

The City is exposed to various risks of loss from civil liability to other parties (automobile liability, general liability, police professional liability, public official liability); statutory workers' compensation benefits for injured employees; and the theft or accidental damage to City property (buildings and business contents). The City established an internal service Self-Insurance Fund to account for and fund the above risks.

The Self-Insurance Internal Service Fund pays for all claims and judgements made against the City for accidental losses for which the City is self-insured. The Fund pays the premium costs for insurance policies to protect the City's ultimate self-insured exposures. All-Risk property insurance (exclusive of windstorm coverage) provides coverage for losses to City buildings above various deductible amounts. There were no settlements in excess of applicable insurance for the past three years. During fiscal year 2001, there were no significant changes in insurance premiums except for property insurance. This change was due to increased cost for windstorm coverage.

The Fund derives revenue from all City departments through an allocation formula and from investment income earned on reserved funds. The required funding levels of reserves and future needs is determined by an annual actuarial report produced by an external actuarial firm. The City funds and reserves on an "occurrence" basis, reserving for anticipated and known claims when they occur, regardless of the ultimate date of payment or disposition.

The following are the changes in the funds' claims liability amount during fiscal year 2001 and 2000 respectively:

	<u>2001</u>	<u>2000</u>
Unpaid claims, beginning of year	\$ 13,332,000	\$ 16,596,000
Incurred claims (includes incurred but not reported claims)	4,567,000	973,000
Less: estimated claim payments	<u>4,188,000</u>	<u>4,237,000</u>
Unpaid claims, end of year	<u>\$ 13,711,000</u>	<u>\$ 13,332,000</u>

T. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's estimates.

2. Cash and Investments

All deposits are held in banking institutions approved by the State Treasurer of the State of Florida, to hold public funds. Under the Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", the State Treasurer requires all qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral equal to 50% to 125% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral

**CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 (Continued)**

(generally, United States governmental and agency securities, state or municipality government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280, Florida Statutes. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all cash and time deposits held by banks can be classified as Category 1 credit risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements", which means they are fully insured or collateralized with securities held by the City or by its agent in the City's name.

The City has adopted an ordinance designating the investments which are allowable for its cash management activities. The authorized investments include direct United States Treasury obligations, corporate bonds, state or municipal obligations, commercial paper and repurchase agreements. These investments are insured or registered, or the securities held by the City or its agent in the City's name.

The City's cash management investments at year end (including restricted cash and cash with paying agent) and the level of risk assumed by the City are shown below:

	Carrying Amount/ Fair Value	Risk Category
U.S. government agencies	\$ 100,900,842	1
Commercial paper	17,886,660	1
Money market funds	28,835,477	1
Repurchase agreements	<u>70,519,594</u>	1
Total City cash management investments	218,142,573	
City funds managed by others and cash	<u>172,591,386</u>	1
Total cash and investments	<u>\$ 390,733,959</u>	

The City has adopted ordinances which govern the investment of funds for all of the Employee's Retirement systems. These investments include United States Treasury obligations, loans guaranteed by government agencies, General Obligation or Revenue Bonds issued by states and municipalities, dividend paying stocks of domestic corporations, bonds, notes or other interest bearing obligations of domestic corporations, and shares and accounts of savings and loan associations.

As of September 30, 2001, the level of credit risk of the Plan's investments is in Category 1 as defined by the Governmental Accounting Standards Board Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements", which includes investments that are insured or registered or securities held by the plan or its agent in the Plan's name. There are no investments, loans to or leases with parties related to the pension plan. There were no investments in any one company which individually exceeded 5% of the net assets available for plan benefits.

The investments of the Retirement Systems and the level of risk assumed are presented below:

	Carrying Amount/ Fair Value	Risk Category
Common stock	\$ 425,865,670	1
Corporate bonds	196,266,583	1
Money market	2,330,686	1
U. S. government securities	68,399,080	1
Short-term debt	7,126,801	1
Cash	<u>345,073</u>	1
Total cash and investments	<u>\$ 700,333,893</u>	

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 (Continued)

The Miami Beach Visitor's and Convention Authority and the Miami Beach Health Facilities Authority, discretely presented component units, deposits were entirely covered by Federal Depository Insurance, a collateral pool held by the State Treasurer for the benefit of all public deposits in Florida.

3. Budgetary Statements

The accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General, Special Revenue and Debt Service Fund Types presents comparisons of the legally adopted budget (more fully described in Note 1) with actual data on a budgetary basis. The City has not adopted budgets for all of its special revenue funds because most were under a multi-year budget, except for the Bass Museum and Resort Tax Revenue Funds. The City has adopted a budget for the General Obligation Debt Service Fund. Since accounting principles applied for the purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of timing and entity differences in the excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended September 30, 2001 is presented below:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$(1,593,254)	\$7,132,417	\$1,134,018
Adjustments:			
To adjust for current year encumbrances	2,837,608	132,232	
Excess of revenues and other financing sources over expenditures and other financing uses related to non-budgeted funds	<u> </u>	<u>5,003,730</u>	<u>268,259</u>
Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ 1,244,354</u>	<u>\$12,268,379</u>	<u>\$1,402,277</u>

4. Fixed Assets

A. The following are the changes in general fixed assets for the year ended September 30, 2001:

	Balance 10/1/00	Additions	Deletions	Balance 9/30/01
Land	\$ 88,477,248	\$ 1,970,000	\$	\$ 90,447,248
Buildings	31,779,437			31,779,437
Permanent improvements	64,746,152			64,746,152
Furniture and fixtures	1,148,986	94,137	166,888	1,076,235
Equipment	3,631,877	521,240	325,230	3,827,887
Construction in progress	<u>111,396,292</u>	<u>12,095,029</u>	<u>475,385</u>	<u>123,015,936</u>
	<u>\$301,179,992</u>	<u>\$14,680,406</u>	<u>\$ 967,503</u>	<u>\$314,892,895</u>

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 (Continued)

B. A summary of the proprietary fund types' fixed assets at September 30, 2001, follows:

	Balance 10/1/00	Additions	Deletions	Balance 09/30/01
Mains and lines	\$ 38,602,963	\$ 238,819	\$	\$ 38,841,782
Land	23,118,651			23,118,651
Buildings and structures	183,355,499	434,337		183,789,836
Meters and hydrants	11,181,820	566,576		11,748,396
Furniture, equipment and vehicles	56,370,902	8,992,444	2,311,485	63,051,861
Improvements other than buildings	<u>1,679,186</u>			<u>1,679,186</u>
	314,289,021	10,252,176	2,311,485	322,229,712
Less accumulated depreciation	<u>108,940,461</u>	<u>11,136,662</u>	<u>2,223,633</u>	<u>117,853,490</u>
	205,348,560	(884,486)	87,852	204,376,222
Construction in progress	<u>69,990,798</u>	<u>19,927,816</u>	<u>810,735</u>	<u>89,107,879</u>
Net property, plant and equipment	<u>\$275,339,358</u>	<u>\$19,043,330</u>	<u>\$898,587</u>	<u>\$293,464,357</u>

5. Employee Retirement

A. Retirement System For General Employees

i. Plan Description

The Retirement System for General Employees is a Single Employer Defined Benefit Pension Plan that covers all civil service employees of the City except for Policemen and Firemen as established by City Ordinance #1901. This Plan covers 512 active employees and 939 retirees and beneficiaries as of the last actuary report. The City's payroll for employees covered by the System for the year ended September 30, 2001, was \$20,132,400 out of \$84,996,462 total payroll cost for the City.

Generally, employee members of the System vest after 5 years. Members are eligible to retire at age 50 at a benefit of 3% of final average salary based on the highest two years salary for the first 15 years of service and 4% of final average salary thereafter to a maximum of 90%. However, certain employees who are members of the labor union "AFSCME" employed on or after April 30, 1993, employees in the classification of "Other" (non-unionized classified employees), employed on or after August 1, 1993, and employees who are members of the labor union "CWA" employed on or after February 21, 1994, vest after 10 years of service and are eligible to retire at age 60 with 10 years creditable service at a benefit level of 3% of their highest three years' average salary times years of service to a maximum of 80%. These benefit provisions and all other requirements are established by City Ordinance.

City employee members are required to contribute 10% of salary.

ii. Funding Policy, Contributions Required and Contributions Made

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate

**CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 (Continued)**

sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age actuarial cost method. The Plan also uses the level percentage of payroll method to amortize any unfunded actuarial accrued liability over a 15-year period.

Effective October 1, 1996, the asset valuation method was changed to the difference between actual investment return and expected return and will be recognized over 5 years.

Significant actuarial assumptions used include: (1) investment return of 8.5%, net after administrative expenses; (2) 1983 Group Annuity Mortality Table; for those who have terminated employment before October 1, 1993, rates are based on the Plan's own experience; (3) for retirement, once a member is eligible to retire, a probability of retirement based on age is used (effective October 1, 1996); (4) projected salary increases of 6% per year; (5) projected inflation at 4.0%; and (6) post retirement benefit has a cost of living increases of 2.5% per year compounded annually to benefit recipients retired on October 1, 2000 or earlier, and those retired after October 1, 2000 receive a 1.5% increase per year not compounded annually.

The Plan uses: (a) entry age for the actuarial cost method; (b) 32 years for the equivalent single amortization period; (c) level dollar method for the amortization method; d) 15 years for the amortization period; and (e) 5 years smoothed market for the actuarial asset valuation method.

For the year ended September 30, 2001, the City was not required to make any contributions to the Plan in accordance with actuarially determined requirements computed through an actuarial valuation performed as of October 1, 2000. For the year ended September 30, 2001, the employees contributed \$2,013, 240 which represents 10.3%, of covered payroll.

iii. Trend Information

Trend information indicates the progress made in accumulating sufficient assets to pay benefits when due. An analysis of funding progress for the fiscal year ended September 30, 2001, for the Retirement System for General Employees is as follows:

<u>Year Ended September 30,</u>	<u>Annual Required Contribution - City</u>	<u>Percentage Contributed</u>
1999	\$ 1,008,615	100%
2000	-	N/A
2001	-	N/A

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 (Continued)

iv. Funding Status and Progress

The following schedule describes the funding progress for the Retirement System for General Employees for the fiscal year ended September 30, 2001 (dollars in millions):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL As % of Covered Payroll (b - a)/c
10/1/98	\$ 207.1	\$ 181.7	\$ (25.4)	114.0 %	\$ 19.1	(132.8)%
10/1/99	237.3	200.8	(36.5)	118.2	19.4	(188.8)
10/1/00	250.3	212.1	(38.2)	118.0	19.5	(195.8)

B. Retirement System For Non-Civil Service Employees

i. Plan Description

The Retirement System for Non-Civil Service Employees is a Single Employer Defined Benefit Pension Plan that covers all non-civil service employees of the City except for police and fire persons, as established by City Ordinance #88-2603. This Plan was established April 1, 1988 and covers 107 active employees and 144 retirees and beneficiaries, as of the last actuary report. The City's payroll for employees covered by the System for the year ended September 30, 2001 was \$6,787,930 out of \$84,996,462 total payroll cost of the City.

Employee members of the System prior to October 18, 1992 vest after 5 years. Members are eligible to retire at age 50 with 5 years creditable service at a benefit of 4% for years earned prior to October 18, 1992, and 3% for years thereafter times the final average salary, to a maximum of 80%. New employee members of the System on or after October 18, 1992 vest after 10 years. Members are eligible to retire at age 60 with 10 years creditable service at a benefit of 3% of final 3 years average salary times years of service to a maximum of 80%. These benefit provisions and all other requirements are established by City Ordinance.

City employee members are required to contribute 10% of salary.

ii. Funding Policy, Contributions Required and Contributions Made

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age actuarial cost method. There is no unfunded actuarial accrued liability at October 1, 2000, as of the latest actuarial report.

Significant actuarial assumptions used in the latest actuarial report include: (1) investment return of 9.0%, net after administrative expenses; (2) 1983 Group Annuity Mortality Table for males and females (effective October 1, 1996); (3) for retirement, a probability of retirement based on age, once a member is eligible to retire, is used (effective October 1, 1996); (4) projected salary increases of 6.0% per year; (5) post retirement benefit has a cost of living increase of 1.5% per year compounded annually and (6) projected inflation of 4% per year.

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SEPTEMBER 30, 2001 (Continued)**

The Plan uses: (a) entry age for the actuarial cost method and (b) a 5 year smoothed market for the actuarial asset valuation method.

For the year ended September 30, 2001, the City was not required to make any contributions to the Plan in accordance with actuarially determined requirements computed through an actuarial valuation performed as of October 1, 2000. For the year ended September 30, 2001, the employees contributed \$678,793, which represents 10.7% of covered payroll.

iii. Trend Information

Trend information indicates the progress made in accumulating sufficient assets to pay benefits when due. An analysis of funding progress for the fiscal year ended September 30, 2001, for the Retirement System for Non-Civil Service Employees is as follows:

<u>Year Ended September 30,</u>	<u>Annual Required Contribution - City</u>	<u>Percentage Contributed</u>
1999	\$ 285,305	100%
2000	666,897	100
2001	-	N/A

iv. Funding Status and Progress

The following schedule describes the funding progress for the Retirement System for Non-Civil Service Employees for the fiscal year ended September 30, 2001 (dollars in millions):

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL As % of Covered Payroll (b - a)/c</u>
10/1/98	\$ 59.7	\$ 59.1	\$ (0.5)	101.0%	\$ 5.9	(9.3) %
10/1/99	67.9	62.6	(5.3)	108.5	6.1	(88.0)
10/1/00	76.5	65.9	(10.6)	116.2	6.3	(167.5)

C. Retirement System for Firefighters and Police Officers

i. Plan Description

The Retirement System for Firefighters and Police Officers are Single Employer Defined Benefit Pension Plans that cover substantially all Police and Fire persons of the City, as established by Chapter 23414, Laws of Florida, Special Acts of 1945 (as amended through November 2, 2000). The Plan covers 486 active employees and 463 retirees and beneficiaries. The City's payroll for employees covered by the System for the year ended September 30, 2001 was \$35,778,780 out of a \$84,996,462 total payroll cost for the City.

Employee members of the System prior to May 19, 1993 vest upon attaining 10 years of creditable service. Members are eligible to retire at age 50 at a benefit of 3% of final average salary for the first 15 years and 4% thereafter, based on the highest 2 years salary times years of

**CITY OF MIAMI BEACH, FLORIDA
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SEPTEMBER 30, 2001 (Continued)**

service to a maximum of 90% of average monthly salary. Employee members are required to contribute 10 percent of salary. New employee members on or after May 19, 1993 will receive the same benefit levels except that retirement age will be 55, and the maximum benefit will be 80% of average monthly salary based on the three highest paid years' salary. The benefit provisions and all other requirements are established by legal requirement.

ii. Funding Policy, Contributions Required and Contributions Made

The City of Miami Beach, Florida, (the "Employer") is required to contribute an actuarially determined amount that, when combined with members' contributions, will fully provide for all benefits as they become payable. Members of the Plan contribute 10% of their salary reduced by any amount contributed under the Base System.

The contributions to the Plan for the year ended September 30, 2001, of \$3,393,115 were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of October 1, 2000. These contributions were made by the employees of the City and were 10% of current covered payroll.

Significant actuarial assumptions used include: (1) investment return of 8.5%; (2) projected salary increases of 4.53%-10.17% including 3.5% for inflation; and (3) post retirement benefit has a cost of living increases of 2.5% per year compounded annually.

The Plan uses: (a) frozen entry age for the actuarial cost method; (b) 40 years for the remaining amortization period; (c) level dollar open for the amortization method; and (d) 5 year phase-in for the market asset valuation method.

iii. Trend Information

Trend information indicates the progress made in accumulating sufficient assets to pay benefits when due. An analysis of funding progress for the fiscal year ended September 30, 2001, for the Retirement System for Fire Fighters and Police Officers is as follows:

<u>Year Ended September 30,</u>	<u>Annual Required Contribution - City</u>	<u>Percentage Contributed</u>
1999	\$ 2,364,392	100%
2000	-	N/A
2001	733,425	100

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 (Continued)

iv. Funding Status and Progress

The following schedule describes the funding progress for the Retirement System for Police and Fire for the fiscal year ended September 30, 2001 (dollars in millions):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL As % of Covered Payroll (b - a)/c
10/1/98	\$ 369.1	\$ 369.1	\$ 0	100.0%	\$ 27.9	0%
10/1/99	383.1	383.1	0	100.0	29.3	0
10/1/00	398.7	389.0	9.7	102.5	28.0	34.0

D. Defined Contribution Plan-401A

The City offers all new non-civil service and civilian employees the option to participate in a defined contribution (401A) plan instead of the amended defined benefit plans, discussed previously, which took effect for new non-civil service employees on October 17, 1992 and on various dates for civilian employees. The two 401A plans which are available to choose from are : (1) Nationwide Retirement Solutions (formerly Public Employee's Benefits Services Corporation – PEBSCO), and (2) ICMA Retirement Corporation. The employee is required to contribute 10% of his salary and the City matches with 10%. The 401A plan of each employee is the immediate property of the employee and investment of these funds is directed by the employee amongst choices of investment vehicles offered by two plan administrators. For the fiscal year ended September 30, 2001, the City contributed \$1,373,666 to employee 401A plans covering 381 employees. The City's contribution represents \$13,773,664 of covered payroll out of \$84,996,462 total payroll cost of the City.

E. Post Retirement Benefits

The City paid \$3,035,380 for health, life and dental insurance coverage for its 887 participating retirees and beneficiaries during the fiscal year ended September, 30,2001. Under City ordinances, retirees are entitled to 50% of the cost of health, life and dental insurance to be paid by the City. These expenditures are considered current costs and no provision for future funding has been made.

F. Financial Statements

Each of the Retirement Systems are audited separately. Complete financial statements can be obtained at the following offices:

City of Miami Beach
Retirement System for General Employees
1700 Convention Center Drive
Miami Beach, Florida 33139

City of Miami Beach
Retirement System for Non-Civil
Service Employees
1700 Convention Center Drive
Miami Beach, Florida 33139

City of Miami Beach
Retirement System for Firefighters and
Police Officers
605 Lincoln Road, Suite 400
Miami Beach, Florida 33139

**CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 (Continued)**

6. Long-Term Obligations

A. General Long-Term Obligations

The City had the following changes in the General Long-Term obligations account group for the year ended September 30, 2001:

<u>Indebtedness</u>	<u>Balance 10/1/00</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance 9/30/01</u>
General Obligation Bonds	\$ 57,535,000	\$	\$ 6,550,000	\$ 50,985,000
Special Obligation Bonds	200,760,000	47,145,000	38,402,000	209,503,000
Due to developer	9,914,740		687,007	9,227,733
Accrued compensated absences	9,197,076	1,832,396	1,015,495	10,013,977
Other obligations	3,622,739		332,478	3,290,261
	<u>\$ 281,029,555</u>	<u>\$ 48,977,396</u>	<u>\$ 46,986,980</u>	<u>\$ 283,019,971</u>

i. General Obligation Bonds

The General Obligation Bonds outstanding at September 30, 2001 consist of the following:

<u>Issue Name</u>	<u>Interest Rates</u>	<u>Year Issued</u>	<u>Final Maturity</u>	<u>Original Issue</u>	<u>Outstanding 9/30/01</u>
General Obligations	3.30-5.30	1992	2003	\$ 54,360,000	\$ 8,885,000
General Obligations	3.75-6.35	1987	2002	3,000,000	200,000
General Obligations	3.70-4.50	1997	2007	15,000,000	11,900,000
1985B Gulf Breeze	Variable	2000	2013	15,910,000	15,910,000
1985E Gulf Breeze	Variable	2000	2020	14,090,000	14,090,000
Total General Obligation Bonds				<u>\$102,360,000</u>	<u>\$ 50,985,000</u>

On October 1, 1997, the City issued \$15,000,000 in General Obligation Bonds, Series 1996. The bonds will be repaid solely from ad-valorem taxes assessed, levied and collected. They are registered transcripts, and insured. The bonds were issued to construct, renovate and rebuild parks and recreation facilities within the City's park system.

In fiscal year 2000, the City executed two loan agreements with the City of Gulf Breeze, Florida, Local Government Loan Pool Program to borrow \$30,000,000 on variable rate notes. The Gulf Breeze VDRS Series 1985B, in the amount of \$15,910,000, principal is to be repaid in thirteen annual installments commencing December 1, 2001 with interest paid semi-annually. The Gulf Breeze VDRS Series 1985E, in the amount of \$14,090,000, principal is to be repaid in seven annual installments commencing December 1, 2014 with interest paid semi-annually. The funds from the loan will be used to expand, renovate and improve fire stations and related facilities; improve recreation and maintenance facilities for parks and beaches; and, improve neighborhood infrastructure and related facilities.

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 (Continued)

ii. Special Obligation Bond Summary

As of September 30, 2001, the outstanding principal of special obligation bond issues and repayment sources were as follows:

<u>Issue</u>	<u>Rate of Interest</u>	<u>Repayment Source</u>	<u>Total Outstanding Principal</u>
1996 Resort Tax Revenue Refunding Bonds	3.6-5.5	2% Resort Tax	\$ 3,685,000
1985B Gulf Breeze Fixed rate	2.95-4.875	Annual Appropriation	2,200,000
1985C Gulf Breeze Fixed rate	2.96-4.970	Annual Appropriation	22,445,000
1985E Gulf Breeze Fixed rate	2.96-5.18	Annual Appropriation	22,500,000
1994 Sunshine State VRDS	Variable	Annual Appropriation	6,678,000
1994 Pension Obligation Bonds	6.62-8.6	Annual Appropriation	48,485,000
1989 Tax Increment Revenue Bonds	9.125	RDA Tax Increment Revenue	2,825,000
1993 Tax Increment Revenue Bonds	3.25-5.875	RDA Tax Increment Revenue	21,745,000
1996 Tax Increment Revenue Bonds	4.00-8.95	RDA Tax Increment Revenue	42,160,000
1998 Tax Increment Revenue Bonds	3.6-7.0	RDA Tax Increment Revenue	<u>36,780,000</u>
Total Special Obligation Bonds			<u>\$209,503,000</u>

On July 1, 1998, the Miami Beach Redevelopment Agency issued \$29,105,000 (Series 1998A) and \$9,135,000 (Series 1998B) in tax increment bonds. These bonds are secured by a lien on and pledge of the Pledged Funds, which include: (a) the Net Trust Fund Revenues received by the Agency from the Redevelopment Area; (b) the portion of the proceeds of the City's municipal resort tax levied and collected by the City and received by the Trustee; and (c) moneys and investments in the funds and accounts created under the resolution. The Series 1998A bonds were issued with interest rates of 6.7 percent to 7.0 percent payable semiannually on each June 1 and December 1, and will mature serially through December 1, 2022. The Series 1998B bonds were issued with interest rates of 3.6 percent to 5.2 percent payable semiannually on each June 1 and December 1, and will mature serially through December 1, 2022. The bonds are subject to a trust indenture which requires that annual debt service requirements be fully funded upon receipt of Trust Fund Revenue and Supplemental Revenue, and that any shortage shall be funded based on the Supplemental Revenue Resolution.

Loan Pool

On August 1, 2001, the City executed three loan agreements with the City of Gulf Breeze, Florida, Local Government Pool to borrow \$47,145,000 on fixed rate notes. The Gulf Breeze Series B, in the amount of \$2,200,000, principal is to be repaid in fourteen annual installments commencing December 1, 2002 with interest paid semi-annually. The Gulf Breeze Series C, in the amount of \$22,445,000, principal is to be repaid in fourteen annual installments commencing December 1, 2002 with interest paid semi-annually. The Gulf Breeze Series E, in the amount of \$22,500,000, principal is to be repaid in nineteen annual installments commencing December 1, 2002 with interest paid semi-annually. \$17,115,000 was used to repay the outstanding balance of the City Gulf Breeze, Florida Local Government Loan Program Series 1985 C variable rate notes.

**CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 (Continued)**

\$14,977,000 was used to repay a portion of the outstanding principal from the Sunshine State Loan. The remaining funds will be used for the renovation and improvement of two City owned golf courses and their related facilities.

iii. Due to Developer

Amount classified as "due to developer" represents the fair value of the cost that the Agency is legally required to perform based on a settlement agreement. The settlement agreement calls for specific performance by the Agency, which includes, but not limited to, the following:

- a. Provide an additional 485 parking spaces for both the south and north parcels of the property. In addition, provide for laundry and bathroom facilities on the north parcel of the property;
- b. Provide valet service for the Marina during construction on the north parcel of the property;
- c. Responsible for the seawall along the property;
- d. Release a utility easement in favor of the City across the "Diamond C Parcel";
- e. Responsible for improving the "Alaska Parcel" for temporary parking for the construction on the north parcel of the property;
- f. Provide for use of sidewalk and the westernmost lane of Alton Road to be used as staging areas for construction on the north parcel of the property; and
- g. Remove a pump station on the north parcel of the property.

As of September 30, 2001, the estimated cost of such performance as per the settlement agreement was approximately \$9,227,733.

iv. Other Obligations

On June 23, 2000, the City issued a Non-ad Valorem Revenue Note, Series 2000, to Florida Power & Light Company ("FPL") in the amount of \$3,610,739 with an annual interest rate not to exceed 4.75 percent. The note is for a ten year period and interest and principal payments of \$248,857 are due on the first day of June and December of each year until June 1, 2009. The City issued the note to finance a contribution to aid construction of an underground electric transmission line within the City limits. The aggregate maturities of long-term obligation under this note are as follows:

Year Ending September, 30	Long-term Obligation
2002	\$ 345,943
2003	362,571
2004	379,997
2005	398,261
2006	417,403
2007 and thereafter	1,376,486
	<u>\$ 3,280,661</u>

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 (Continued)

- v. On March 24, 2000, the City issued a Subordinate Resort Tax Revenue Note, Series 2000, to a financial institution in the amount of \$1,294,000 to be used as a line of credit, with an annual interest rate of 4.6%. The note is for a five year period and will be repaid by using one twelfth of the additional 1% Resort Tax revenue. Principal payments are due the first day of December of each year, commencing on December 1, 2000 and ending on December 1, 2003, in the amount of 20% of outstanding principal amount. Interest payments on the outstanding principal balance are due semiannually, which commenced on June 1, 2000. The City may draw from the \$1,294,000 in increments of \$25,000, with a minimum of \$100,000 per draw in order to finance a beautification project. As of September 30, 2001, the City was indebted for \$9,600.

B. Debt Service Requirements to Maturity

The annual requirements to amortize all General Long-Term Obligations excluding accrued compensated absences, developer and loans for capital improvements outstanding at September 30, 2001 including interest payments of \$197,726,655 are as follows:

Year Ending September, 30	General Long-Term Obligations		
	General Obligations	Special Obligations	Total
2002	\$ 9,742,435	\$ 19,674,873	\$ 29,417,308
2003	9,518,801	22,190,957	31,709,758
2004	7,366,814	21,515,488	28,882,302
2005	5,498,258	21,240,484	26,738,742
2006	3,023,783	19,744,435	22,768,218
2007-2011	12,894,114	93,566,685	106,460,799
2012-2016	12,294,484	94,146,233	106,440,717
2017-2021	12,183,222	74,879,581	87,062,803
2021-2023		<u>18,734,008</u>	<u>18,734,008</u>
Principal & Interest	72,521,911	385,692,744	458,214,655
Less: Interest	<u>21,536,911</u>	<u>176,189,744</u>	<u>197,726,655</u>
Principal Only	<u>\$ 50,985,000</u>	<u>\$ 209,503,000</u>	<u>\$260,488,000</u>

The debt limit of the City is specified in the City's Charter as 15% of the assessed taxable valuation (excluding Tax Increment Revenue Bonds):

Taxable assessed valuation	\$ 8,218,880,338
Percentage applicable	<u>15%</u>
Debt limit	1,232,832,051
General Obligation Bonds outstanding at September 30, 2001	<u>(50,985,000)</u>
Legal debt margin	<u>\$ 1,181,847,051</u>

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 (Continued)

C. Enterprise Fund Indebtedness

i. Parking Fund

The Parking Revenue Fund had the following changes in its current and Long-Term debt outstanding for the year ended September 30, 2001:

<u>Indebtedness</u>	<u>Balance 10/1/00</u>	<u>Debt Repaid</u>	<u>Balance 9/30/01</u>
Special Obligation Bonds	<u>\$ 28,585,000</u>	<u>\$ 765,000</u>	<u>\$ 27,820,000</u>

Parking Revenue Fund indebtedness at September 30, 2001, is comprised of the following issued indebtedness:

\$10,795,000	1996 Special Obligation Refunding Bonds due in annual installments through 2009: interest at 3.2% and 5.0%	<u>\$ 6,970,000</u>
\$21,000,000	1997 Special Obligation Bonds due in annual installments through 2022: interest at 4.00% - 5.125%	<u>\$ 20,850,000</u>

The aggregate maturities of Long-Term Debt as of September 30, 2001, are as follows:

<u>Year Ending September 30</u>	<u>Bonded Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 800,000	\$ 1,380,962	\$ 2,180,962
2003	830,000	1,346,871	2,176,871
2004	870,000	1,310,296	2,180,296
2005	905,000	1,271,086	2,176,086
2006	950,000	1,229,401	2,179,401
2007-2011	5,475,000	5,416,996	10,891,996
2012-2016	6,980,000	3,911,656	10,891,656
2017-2021	8,940,000	1,950,576	10,890,576
2022	<u>2,070,000</u>	<u>106,088</u>	<u>2,176,088</u>
	<u>27,820,000</u>	<u>17,923,932</u>	<u>45,743,932</u>
Less: Unamortized Bond Discount	<u>804,708</u>		<u>804,708</u>
	<u>\$ 27,015,292</u>	<u>\$ 17,923,932</u>	<u>\$ 44,939,224</u>

The City is obligated under capital leases for parking meters, whose leases expire on December 18, 2003, February 12, 2004, February 18, 2004, and August 25, 2004, respectively. At September 30, 2001, the gross amount of parking meters and related accumulated amortization recorded under capital leases are \$2,560,169 and \$362,930 respectively. Amortization of these assets held under capital leases is included with depreciation expense.

<u>Year Ending September 30</u>	<u>Capital Leases</u>
2002	\$ 582,750
2003	582,750
2004	<u>244,335</u>
Total minimum lease payments	1,409,835
Less: amount representing interest	<u>89,369</u>
Present value of net minimum capital lease payments	<u>\$ 1,320,466</u>

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 (Continued)

ii. Water and Sewer Fund

The Water & Sewer Fund issued \$59,060,000 in Water and Sewer Revenue Bonds, Series 1995, on June 8, 1995. The bonds will be repaid solely from pledged revenues of the Water and Sewer system. They are registered transcripts and insured. The bonds were issued to construct various improvements and extensions to the Water and Sewer utility. Indebtedness of the Water and Sewer Fund at September 30, 2001 is as follows:

\$59,060,000 1995 Revenue Bonds Due in annual installments
through 2015: Interest at 4.20% - 5.40% \$ 46,850,000

The Water & Sewer Fund issued \$54,310,000 in Water and Sewer Revenue Bonds, Series 2001, on September 1, 2001. The bonds will be repaid solely from pledged revenues of the Water and Sewer system. They are registered transcripts and insured. The bonds were issued to construct various improvements and extensions to the Water and Sewer utility. Indebtedness of the Water and Sewer Fund at September 30, 2001 is as follows:

\$54,310,000 2000 Revenue Bonds Due in annual installments
through 2030: Interest at 5.00% - 5.75% \$ 54,310,000

The aggregate maturities of Long-term debt as of September 30, 2001 are as follows:

Year Ending September 30	Bonded Debt		
	Principal	Interest	Total
2002	\$ 2,370,000	\$ 5,416,697	\$ 7,786,697
2003	2,480,000	5,304,123	7,784,123
2004	2,605,000	5,183,222	7,788,222
2005	2,735,000	5,052,973	7,787,973
2006	2,875,000	4,913,488	7,788,488
2007-2011	16,800,000	22,132,206	38,932,206
2012-2016	19,395,000	17,107,575	36,502,575
2017-2021	14,220,000	12,605,012	26,825,012
2022-2026	18,675,000	8,150,388	26,825,388
2027-2030	<u>19,005,000</u>	<u>2,456,975</u>	<u>21,461,975</u>
	<u>101,160,000</u>	<u>88,322,659</u>	<u>189,482,659</u>
Less: Unamortized Bond Discount:	<u>1,415,812</u>		<u>1,415,812</u>
	<u>\$ 99,744,188</u>	<u>\$ 88,322,659</u>	<u>\$188,066,847</u>

ii. Storm Water

The Storm Water Fund issued \$52,170,000 in Storm Water Revenue Bonds, Series 2000, on November 7, 2000. The bonds will be repaid solely from pledged revenues of the Storm Water System. They are registered transcripts and insured. The bonds were issued to construct certain improvements to the Storm Water utility. Indebtedness of the Storm Water Fund at September 30, 2001 is as follows:

\$52,170,000 2000 Storm Water Revenue Bonds Due in annual installments through 2030:
Interest at 4.5%-5.75%

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 (Continued)

The aggregate maturities of Long-term debt as of September 30, 2001 are as follows:

Year Ending September 30	Bonded Debt		
	Principal	Interest	Total
2002	\$ 835,000	\$ 2,736,421	\$ 3,571,421
2003	870,000	2,698,846	3,568,846
2004	910,000	2,659,696	3,569,696
2005	950,000	2,618,747	3,568,747
2006	995,000	2,575,996	3,570,996
2007-2011	5,695,000	12,155,961	17,850,961
2012-2016	7,320,000	10,529,469	17,849,469
2017-2021	9,615,000	8,228,069	17,843,069
2022-2026	12,430,000	5,414,107	17,844,107
2027-2030	12,550,000	1,730,750	14,280,750
	52,170,000	51,348,062	103,518,062
Less: Unamortized Bond Discount:	645,472		645,472
	<u>\$51,524,528</u>	<u>\$51,348,062</u>	<u>\$102,872,590</u>

7. Interfund Payables and Receivables

Interfund payables and receivables at September 30, 2001 are as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 1,605,145	\$ 3,218
Special Revenue Funds:		
Resort Tax Revenue		734,394
Community Development Block Grants	6,181	138,438
Special Districts and Services		700,000
Warehouse Operations Fund		125,000
Miami Beach Redevelopment Agency	180,528	
Bass Museum		4,036
Other Special Revenue	40,933	120,924
Total Special Revenue Funds	<u>227,642</u>	<u>1,822,792</u>
Capital Projects Fund		98,452
Enterprise Funds:		
Water & Sewer	125,000	
Redevelopment Agency - Leasing		44,665
Total Enterprise Funds	<u>125,000</u>	<u>44,665</u>
Internal Service Funds:		
Central Services	11,217	
Communications	123	
Total Internal Service Funds	<u>11,340</u>	
Total Receivables and Payables	<u>\$ 1,969,127</u>	<u>\$ 1,969,127</u>

**CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 (Continued)**

8. Operating Transfers

During the year operating transfers were made between the governmental and proprietary fund types. They were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds	\$71,749,238	\$70,014,879
Proprietary Funds	<u>381,542</u>	<u>2,115,901</u>
Total Operating Transfers	<u>\$72,130,780</u>	<u>\$72,130,780</u>

9. Tenant Leases

A. Shop Leases

The Miami Beach Redevelopment Agency serves as the lessor for tenants leasing various retail facilities. The tenant leases are considered operating leases which expire at various dates through fiscal year 2014. Future minimum lease receivables under the operating leases at September 30, 2001, are as follows:

<u>September 30</u>	<u>Operating Leases</u>
2002	\$ 658,824
2003	658,824
2004	658,824
2005	658,824
2006	658,824
2007 and thereafter	<u>3,588,013</u>
	<u>\$6,882,133</u>

B. Ground Lease

The Miami Beach Redevelopment Agency is the lessor in an agreement with a development company in which the Miami Beach Redevelopment Agency leases the land on which the Loews Hotel is located. The lease is an operating lease which commenced on December 24, 1998, and expires on December 24, 2098. Future minimum lease receivables under the operating leases at September 30, 2001, are as follows:

<u>September 30</u>	<u>Operating Leases</u>
2002	\$ 500,000
2003	500,000
2004	500,000
2005	500,000
2006	500,000
2007 and thereafter	<u>46,000,000</u>
	<u>\$48,500,000</u>

**CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 (Continued)**

10. Fund Equity

A. Reservations/Designations of Fund Balance include the following:

- i. Reserve for Inventories - This amount is equal to the amount of inventory shown in assets;
- ii. Reserve for Employees' Pension Benefits - This is the amount of the equity in the pension system that is to be used only for retiree benefits;
- iii. Reserve for Debt Service - This is the amount of fund equity in the Debt Service Funds which is set aside solely for the repayment of outstanding debt;
- iv. Reserve for Prepaid - This represents an expenditure for a portion of a lease attributable to periods subsequent to September 30, 2001;
- v. Reserve for Encumbrances - This is an amount equal to the outstanding purchase orders for goods and services at year end;
- vi. Reserve for Capital Improvements - This amount is the funds appropriated to capital projects or restricted to that use by City ordinance;
- vii. Reserve for Notes Receivable - This amount is equal to the amount of notes receivable shown in assets that will not be collected in the current period; and
- viii. Designated for Contingencies - This is the amount of fund equity in the general fund which is set aside solely for emergencies.

B. Reservation of Retained Earnings includes the following item:

Reserved Per Revenue Bond Indentures - The required debt service sinking fund and reserve accounts held by a Trustee or by the City in accordance with requirements of the bond issue, are reserved in the Parking Revenue and Water and Sewer Funds.

11. Segment Information for Enterprise Funds

The City maintains five Enterprise Funds and the Agency maintains two Enterprise Funds which provide services for storm water, water and sewer, sanitation, parking, retail leasing, as well as a convention center. Segment information for the individual funds as of and for the year ended September 30, 2001 is as follows:

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2001

	Storm Water Utility Fund	Water and Sewer Fund	Parking System Fund	Sanitation Fund	Convention Center Complex Fund	Miami Beach Redevelopment Agency's Parking Fund	Miami Beach Redevelopment Agency's Leasing Fund	Total
Operating Revenues	\$ 3,551,549	\$ 43,969,638	\$ 20,442,131	\$ 5,375,166	\$ 11,935,898	\$ 1,950,444	\$ 522,636	\$ 87,747,462
Depreciation	92,308	1,552,208	1,633,409	145,248	2,767,229	391,726	29,484	6,611,612
Amortization	47,514	157,302	161,015					365,831
Operating Income (Loss)	1,700,938	7,606,664	8,687,329	743,984	(1,728,478)	495,311	452,184	17,957,932
Operating Transfers In (Out)	(644,512)	(279,004)	(1,069,485)	328,114				(1,664,887)
Net Income (Loss)	1,562,267	7,629,563	8,147,258	1,096,657	(1,655,841)	495,311	452,184	17,727,399
Depreciation on Capital Contributions	12,930	1,122,755	410,099	19,418	1,628,789	384,441	28,936	3,607,368
Additions in Current Capital Contributions						23,120	1,740	24,860
Fixed Asset Additions (Reductions), Net	955,687	9,184,926	(59,896)	687,976	4,254,232	30,807	2,319	15,056,051
Total Assets	59,701,723	176,908,927	88,371,012	3,643,328	148,248,938	14,472,863	1,872,470	493,219,261
Net Working Capital	1,873,742	7,648,348	20,788,542	1,238,021	2,330,783	619,851	789,666	35,288,953
Long Term Debt	50,689,528	97,374,188	27,009,974					175,073,690
Total Fund Equity	7,818,808	68,187,551	58,735,168	3,006,864	145,349,007	14,400,277	1,775,575	299,273,250

**CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 (Continued)**

12. Individual Fund Deficits in Fund Balance/Retained Earnings

The following funds had a deficit at September 30, 2001 in fund balance/retained earnings:

- A. Special Districts and Services Fund - This fund had a deficit fund balance of \$698,789. Management estimates that this deficit will be eliminated over the next two fiscal years by increased funding;
- B. Self-Insurance Fund - This fund had a deficit balance of \$4,299,902. Management estimates that this deficit will be eliminated over the next three fiscal years by increased funding.

13. Significant Commitments and Contingencies

- A. The City, in the normal course of operations, is a party to various other actions in which plaintiffs have alleged certain damages. In all cases, management does not believe the disposition of these matters will materially affect the financial position of the City.
- B. The City participates in a number of Federal and State assisted grant programs which are subject to financial and compliance audits. Audits for these programs are to be conducted at a future date, and the City expects the amount, if any, of the expenditures which may be disallowed by the granting agency to be immaterial.
- C. At September 30, 2001, the City had in process various uncompleted construction projects with remaining balances totaling \$30,233,737.
- D. The Agency has committed to provide the developers of two hotels certain incentives. The Request for Proposal originally called for a \$60 million incentive for which \$10 million was designated for the development of a hotel which requires African American majority ownership. The Agency issued \$108 million in bonds of which \$98 million has been spent for land acquired for both hotels, related hotel agreement negotiations, and construction of an 800 space parking facility for the hotels. The remaining \$10 million will be used to construct a boardwalk, sidewalk and streetscape improvements, the acquisition of property for development and construction of a cultural center facility. This commitment is in addition to the incentive to be provided to the developers.
- E. The City believes it is in compliance with all material terms of bond indenture agreements, contracts, and federal, state and local laws and regulations.

14. Reconciliation of Contributed Capital

	<u>Enterprise</u>	<u>Internal Service</u>
Beginning Contributed Capital	\$177,120,712	\$ 7,026,813
Additions	25,904	4,081,954
Reductions	<u>3,607,366</u>	<u>2,171,682</u>
Ending Contributed Capital	<u>\$173,539,250</u>	<u>\$ 8,936,085</u>

**CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001 (Continued)**

15. New Accounting Pronouncement

Effective October 1, 2000, the City adopted GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions". In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, expenditures or expenses should be recognized by the provider, and revenue should be recognized by the recipient when all eligibility requirements are met. Resources transmitted before all eligibility requirements are met should, under most circumstances, be reported as advances by the provider and deferred revenue by the recipient. Assets and liabilities should be recognized by the recipient and provider, respectively, when all eligibility requirements have been met or (for asset recognition) when resources are received, whichever is first. Additionally, GASB Statement No. 33 requires recognition of external capital contributions to proprietary funds as revenues, not contributed capital. Therefore, external capital contributions are treated as an operating statement item and affect retained earnings. Only internal capital contributions are treated as a direct addition to contributed capital.